GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4935
ANSWERED ON:16.12.2016
CRR
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) introduces incremental CRR to manage liquidity;

(b) if so, the details thereof;

(c) whether the banks pay interest at the rate of 4 percent to depositors but earn nothing from RBI on the incremental deposits; and

(d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) to (d): On November 26, 2016 the Reserve Bank had announced an incremental Cash Reserve Ratio (CRR) of 100 per cent of the increase in Net Demand and Time Liabilities (NDTL) of scheduled banks between September 16, 2016 and November 11, 2016 effective the fortnight beginning November 26, 2016. It was intended to absorb a part of the large increase in liquidity in the system following the withdrawal of the legal tender status of ? 500 and ? 1,000 denomination bank notes. It was also indicated that the incremental CRR was purely a temporary measure and that it would be reviewed on December 9, 2016 or even earlier.
With the enhancement in the ceiling for issue of securities under the Market Stabilisation Scheme (MSS) to ? 6,000 billion, the incremental CRR was withdrawn effective the fortnight beginning December 10, 2016.
The Reserve Bank of India Act, 1934 was amended in June 2006 with a view to enhancing the Reserve Bank"s operational flexibility and providing it with greater maneuverability in monetary management. Under the amended RBI Act, the provisions of which came into force on April 1, 2007, the Reserve Bank cannot make interest payments on CRR balances.
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